

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION
OF
CASS COUNTY MUTUAL
INSURANCE COMPANY
CASSELTON, NORTH DAKOTA**

**AS OF
DECEMBER 31, 2004**

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

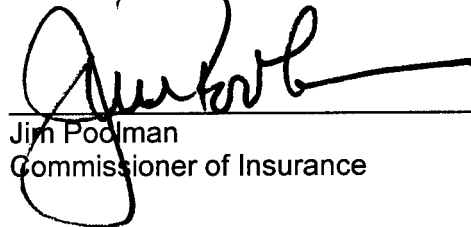
Cass County Mutual Insurance Company

Casselton, North Dakota

as of December 31, 2004, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.



IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at my
office in the City of Bismarck, this 17th day of
October, 2005.



Jim Poolman
Commissioner of Insurance

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Casselton, North Dakota
September 9, 2005

Honorable Jim Poolman
Commissioner of Insurance
North Dakota Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505-0320

Dear Sir:

Pursuant to your instructions and in accordance with the North Dakota Century Code, an examination was made of the condition and affairs of the

**Cass County Mutual Insurance Company
Casselton, North Dakota**

as of December 31, 2004.

Cass County Mutual Insurance Company, Casselton, North Dakota, hereinafter referred to as the "Company", was last examined as of December 31, 1999, by a representative of the State of North Dakota.

SCOPE OF EXAMINATION

This examination covers the five-year period from January 1, 2000, through December 31, 2004, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination. During the course of this examination, assets were verified and valued and all known liabilities were established in accordance with statutory requirements and procedures recommended in the National Association of Insurance Commissioners *Financial Examiners Handbook*. The extent of review on any given account or activity was based upon its relationship and importance to the total operation.

Accounting and other pertinent records were reviewed and test-checked to the extent deemed appropriate and a general review of the Company's operations was conducted.

Detail pertaining to the various phases of the examination are set forth under the appropriate caption in subsequent sections of this report.

Comments on Most Previous Statutory Examination

At December 31, 2004, the Company was not in compliance with the following recommendations contained in the prior examination report dated December 31, 1999:

Comments/Recommendations	Action by Company
It is recommended that the Company amend its agreement with Grinnell Mutual Reinsurance Company to include the "Entire Contract" provision.	The reinsurance contract with Grinnell still does not contain the "entire contract" clause.
It is recommended that the Company report homeowners business on page 7 of its annual statement.	The Company did not report homeowners business on page 7 of its annual statements for any year under examination.
It is recommended that the Company adjust its depreciation schedule to eliminate land in the computation of depreciation on real estate.	The Company did not adjust its depreciation schedules for the estimated cost of land.
It is recommended that the Company use the trade date rather than settlement date for all security transactions reported in Section VII.	The Company sometimes used the settlement date rather than the trade date for some bond and stock transactions reported in Section VII, Part 3 and 4.

HISTORY

The Company was incorporated and commenced business on March 10, 1888, with its home office and principal place of business at Casselton, North Dakota.

The Company is organized pursuant to the provisions of N.D. Cent. Code Chapter 26.1-13 to insure against all of the risks and to possess all of the powers and to be subject to all of the liabilities and duties of a county mutual insurance company as now provided in N.D. Cent. Code Chapter 26.1-13 and as the same may be from time to time amended in the future. The Company's term of existence is on a perpetual basis in accordance with N.D. Cent. Code § 26.1-13-03.

At the annual meeting of the membership held on June 3, 1996, the policyholders amended the Articles of Incorporation restating the Articles and changing the Company's name from Farmers County Mutual Fire & Lightning Insurance Company to Cass County Mutual Insurance Company.

MANAGEMENT AND CONTROL

The Company is controlled by its membership. Any person owning property within the limits of the territory within which the Company is authorized to transact business may become a member of the Company and be entitled to all the rights and privileges of membership. No person who does not reside within such territorial limits shall become a director of the Company.

Directors

The management of the Company's affairs, business, and property is vested in a Board of Directors composed of seven members elected for staggered terms of three years each at the annual meeting of the business at any meeting of the membership. A majority of the entire Board of Directors constitutes a quorum for the transaction of business.

Directors duly elected and serving the Company at December 31, 2004, were as follows:

Director	Term Expires	Occupation
James Runck Casselton	2006	Retired Farmer
Brad Burgum Casselton	2007	Attorney
Michael Nelson Casselton	2007	Farmer
John Pueppke Amenia	2006	Farmer
Oscar Blaskowski Casselton	2005	Maintenance Supervisor
David Piper Durbin	2005	Businessman
Don Kapaun Tower City	2005	Retired Farmer

Officers

Officers are elected at the organizational meeting of the Board of Directors by a majority vote for a period of one year or until their successors are elected and qualified. Officers serving at December 31, 2004, were as follows:

<u>Name</u>	<u>Office</u>
David Piper	President
Michael Nelson	Vice President
Kenneth A. Toop	Secretary-Treasurer

Investment Committee

Members of the Investment Committee at December 31, 2004, were as follows:

Brad Burgum	David Piper	Kenneth Toop
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CORPORATE RECORDS

The minutes of the meetings held by the membership and directors during the years under examination were reviewed for compliance with the Articles of Incorporation, Bylaws, and statutory requirements.

Members

During the period under examination the annual meetings of the membership were held on the following dates: May 31, 2000; May 30, 2001; May 29, 2002; June 4, 2003; and June 9, 2004.

Directors

During the period under examination the Board of Directors held three meetings in years 2000 and 2003, four meetings in 2001 and 2002, and five meetings in 2004.

Investment Committee

The minutes indicate that the Investment Committee met one time in 2000, six times in 2001 and 2002, ten times in 2003, and five times in 2004.

Amendments to Articles of Incorporation and Bylaws

There were no amendments to the Articles of Incorporation or Bylaws during the period under examination.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2004, there was in force a name schedule position bond insuring the Company against loss of money or other property which the Company shall sustain through any fraudulent or dishonest act or acts committed by any employee. The bond provides for a \$50,000 limit of liability for loss caused by any employee. The coverage meets the minimum amount of fidelity insurance suggested in the NAIC's formula.

The Company also had in force a directors and officers liability insurance policy providing a limit of liability of \$500,000 each policy year. Each claim is subject to a \$2,500 deductible. The policy provides coverage for errors or omissions in the performance of professional services and wrongful acts of a director or officer while acting solely in their individual or collective capacities as directors and officers.

Insurance coverage on the Company's home office building was reviewed and appeared to be adequate.

TERRITORY AND PLAN OF OPERATION

The Company's operating territory is made up of the following counties:

Barnes	Burleigh	Cass	Dickey	Foster
Grand Forks	Griggs	Kidder	LaMoure	Logan
Ransom	Richland	Sargent	Steele	Stutsman
Trails	Wells			

At December 31, 2004, the Company had approximately 16 licensed agents.

GROWTH OF THE COMPANY

Growth

The following exhibit reflects the growth of the Company over a 10-year period. Data with respect to the years 1995-1998 and 2000-2003 is taken from Annual Statements prepared by the Company. Data for the years 1999 and 2004 reflects the results of examinations:

Year	Admitted Assets	Total Liabilities	Surplus as Regards Policy-holders	Net Premiums Written	Under-writing Deductions	Investment and Other Income	Net Income (Loss)
1995	\$1,012,815	\$237,613	\$775,201	\$284,517	\$277,735	\$85,766	\$92,548
1996	982,311	250,348	731,962	302,325	393,334	73,136	(17,873)
1997	818,260	220,738	597,521	304,263	567,832	67,358	(196,211)
1998	850,120	250,443	599,677	341,370	375,439	81,111	47,042
1999	609,048	258,944	350,104	384,797	651,780	66,699	(200,284)
2000	666,866	354,876	311,990	403,246	519,322	59,801	(56,275)
2001	591,763	316,369	275,394	375,609	495,066	54,103	(65,354)
2002	639,058	359,189	279,869	494,245	379,929	48,376	162,692
2003	723,692	385,601	338,091	427,417	415,742	24,345	36,020
2004	884,731	316,756	567,975	437,932	316,877	55,190	176,245

REINSURANCE

The Company's reinsurance treaty in force at the time of the examination is summarized below. The contract contained the insolvency clause required by N.D. Cent. Code § 26.1-02-21.

Nonaffiliated Ceding Contract:

1. Type: Excess
- Reinsurer: Grinnell Mutual Reinsurance Company
- Scope: Fire, Lightning and Extended Coverages; Windstorm and Hail

Coverage:	(A)	Individual Occurrence of Loss Excess - Covers all risks written by the Company in excess of a \$50,000 retention subject to the following limits:	
		Dwellings	\$500,000
		Farm Outbuildings	\$750,000
		Livestock/Poultry/Horse Operations	\$500,000
		Commercial and Public Property	\$500,000
	(B)	Aggregate Excess - Provides coverage for 100 percent of the Company's aggregate net losses in excess of \$325,300.	
Premium:	(A)	Individual Occurrence of Loss Excess - \$.2258 for fire and \$.1069 for wind per \$1,000 of adjusted gross fire risks in force.	
	(B)	Aggregate Excess - \$.6293 per \$1,000 of gross fire risks in force	
Commissions:	None		
Termination Date:	The agreement may be terminated only as of the last day of any calendar year by either party upon 90 days notice.		

Findings: The reinsurance agreement with Grinnell Mutual Reinsurance Company does not contain the "entire contract" provision as required in the NAIC's *Accounting Practices and Procedures Manual*.

Recommendation: It is again recommended that the Company amend its agreement with Grinnell Mutual Reinsurance Company to include the "Entire Contract" provision.
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ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transactions cycles were reviewed during the course of the examination and a trial balance as of December 31, 2004, was obtained and traced to the appropriate schedules of the Company's 2004 Annual Statement. Revenues and expenses were test checked to the extent deemed necessary.

The Company uses the Mutual Automation Package (Mapplus) software program for policy and claim processing and premium billing. The cash receipts journal, claims register and other miscellaneous accounting records are maintained in Excel spreadsheets. Cash disbursements and general journal entries are maintained on a Medlin Accounting general ledger module. The Medlin program generates a bank reconciliation and various reports including a trial balance, income statement and balance sheet.

At December 31, 2004, the Company's electronic data processing equipment consisted of a two personal computers, printers, and peripheral equipment. The personal computers were

purchased in 2003. The Company treats its investment in the electronic data processing system as a non-admitted asset.

The Examiner obtained a trial balance as of December 31, 2004, and traced it into the 2004 Annual Statement and performed other tests of accounting records designed to test the integrity of the data.

Findings: The following is a list of additional differences noted with respect to accounts and records:

- The Company commingled its homeowners business with its fire and wind business on page 7 of its annual statements rather than reporting homeowners business as a separate line of business.

<u>Recommendation:</u> It is again recommended that the Company report homeowners business on the proper line on page 7 of its annual statement.

FINANCIAL STATEMENTS

The following statements reflect the financial condition of the Company as of December 31, 2004, as determined by this examination and its operating results for the year then ended.

**Cass County Mutual Insurance Company
Statement of Assets, Liabilities, and Surplus
December 31, 2004**

ASSETS

LEDGER ASSETS:

Bonds	\$522,942.92
Stocks	287,424.94
Real Estate	33,287.31
Checking Account	4,679.48
Cash on Deposit	62,352.43
Furniture and Fixtures	<u>1,425.03</u>

TOTAL LEDGER ASSETS	\$912,112.11
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NON-LEDGER ASSETS:

Interest Due and Accrued on Bonds	\$ 875.00
Market Value of Stocks over Book Value	<u>1,780.17</u>

TOTAL NON-LEDGER ASSETS	2,655.17
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DEDUCT: ASSETS NOT ADMITTED

Furniture and Fixtures	\$ 1,425.03
Market Value of Stocks in Excess of Statutory Limitations	<u>28,611.22</u>

TOTAL NON-ADMITTED ASSETS	<u>30,036.25</u>
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TOTAL NET ADMITTED ASSETS	<u>\$884,731.03</u>
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LIABILITIES

Unpaid Losses	\$17,800.00
Unpaid Loss Adjustment Expense	1,335.64
Unearned Premium Reserve	276,929.32
Unpaid Taxes	5,727.03
Unpaid General Expenses	600.47
Amounts Withheld	968.65
Reinsurance Premiums Due and Payable	<u>13,394.69</u>

TOTAL LIABILITIES	\$316,755.80
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SURPLUS TO POLICYHOLDERS	<u>567,975.23</u>
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TOTAL LIABILITIES AND SURPLUS	<u>\$884,731.03</u>
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Cass County Mutual Insurance Company
Statement of Cash Receipts and Cash Disbursements
For the Year of 2004

INCOME:

Gross Premium Income	\$522,978.19
Less: Return Premiums	1,584.30
Premiums for Reinsurance Ceded	<u>108,067.16</u>

NET PREMIUM INCOME \$413,326.73

Interest on Bonds	15,826.81
Dividends on Stocks	12,694.79
Interest on Mortgage Loans	101.32
Gross Rent From Company's Property	13,600.00
Interest on Cash on Deposit	604.21
Profit on Sales or Maturity of Ledger Assets	(5,377.30)
Commissions Received on Liability Premiums	17,585.66
Policy Fees	24,605.00
Miscellaneous Income	<u>155.27</u>

TOTAL INCOME RECEIPTS \$493,122.49

DISBURSEMENTS:

Gross Losses Paid and Incurred in 2004	\$ 28,586.98
Gross Losses Paid in 2004 but Incurred in Prior Years	56,593.40
Deduct: Salvage	<u>591.00</u>

NET LOSSES PAID \$ 84,589.38

Claim Adjustment Expenses	6,130.53
Commissions Paid to Agents	100,486.80
Directors' Fees and Expenses	2,497.10
Salaries to Employees	57,318.29
Printing, Stationery, and Office Supplies	2,459.04
Rent and Rent Items	4,406.94
Real Estate Expenses	6,316.97
Taxes on Real Estate	1,223.32
State and Local Insurance Taxes	7,436.00
Insurance Department Licenses and Fees	560.00
Payroll Taxes	4,841.17
Legal Fees and Auditing	451.85
Travel and Travel Items	984.59
Advertising	600.84
Dues and Donations	2,315.00
Equipment	1,162.97
Insurance and Bonds	3,918.79
Postage, Telephone and Bank Charges	4,339.44
Employee Relations and Welfare	17,885.96
Data Processing Expenses	3,021.00
Investment Fees	300.00
Miscellaneous Expenses	<u>3,631.42</u>

TOTAL FUNDS DISBURSED 316,877.40

NET INCOME \$176,245.09

COMMENTS TO THE FINANCIAL STATEMENTS

Financial statement balances at December 31, 2004, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

Bonds

The following schedule discloses the description, par value, book value, market value, and actual cost of bonds owned at December 31, 2004:

Description	Par Value	Book Value	Market Value	Actual Cost
Government Agencies	\$520,311.00	\$522,942.92	\$510,495.42	\$523,688.34
Total	<u>\$520,311.00</u>	<u>\$522,942.92</u>	<u>\$510,495.42</u>	<u>\$523,688.34</u>

Findings: The Company did not report the NAIC designation column in Column 13 of Section VII-Part 1. The market value of bonds determined by this examination is \$60,982.35 more than the amount reported by the Company.

Recommendation: It is recommended that the Company complete column 13, the NAIC Designation column, to Section VII-Part 1 and perform the necessary procedures to insure that amounts reported in the annual statement agree to supporting documentation.

Finding: The Company occasionally used the settlement date rather than the trade date when reporting trades in Section VII-Part 3 and Part 4.

Recommendation: It is recommended that the Company use the trade date rather than the settlement date to report bond and stock transactions in Section VII-Part 3 and Part 4.

Stocks

The following schedule reflects the book, market and admitted value of stocks owned at December 31, 2004:

Description	Book Value	Admitted and Market Value
Public Utilities	\$39,720.08	\$38,295.00
Banks and Insurance	12,500.00	11,420.34
Ind. & Misc.	14,722.08	8,145.00
Mutual Funds	168,797.19	179,659.77
Money Market Mutual Funds	<u>51,685.59</u>	<u>51,685.00</u>
Totals	<u>\$287,424.94</u>	<u>\$289,205.11</u>

Book values were verified to the accounting records and statements from brokers. Market values were determined using unit prices listed in the *Securities Valuation Manual*, *Wall Street Journal* and other independent sources.

Finding: N.D. Cent. Code § 26.1-05-19(21)(a) restricts investments in preferred, guaranteed, and common stocks (includes mutual funds) issued or guaranteed by a single person to an amount not in excess of 3% of the insurance company's admitted assets. At December 31, 2004, the market value of shares in the Investment Company of America, Balanced Fund, Income Fund of America and Ottertail Corporation exceeded the 3% of admitted asset limitation. The aggregate amount by which the four stocks exceeded the 3% limitation was \$92,483.91.

Additional investment authority for investments exceeding statutory limitations is found in N.D. Cent. Code § 26.1-05-19(33), commonly known as the basket clause. It provides additional investment authority allowing insurers to invest funds in investments not specifically authorized elsewhere to an amount that does not exceed either 7% of the company's admitted assets, or the amount equal to the company's capital and surplus in excess of the minimum capital and surplus required by law, whichever is less. The basket clause provided an additional investment authority of \$63,872.69 at December 31, 2004.

The Examiner treated the excess of market value over the basket clause authority as a non-admitted asset:

Market Value of Four Stocks over the 3% Limitation	\$92,483.91
December 31, 2004 Basket Clause	<u>63,872.69</u>
Non-admitted	<u>\$28,611.22</u>

Recommendation: It is recommended that the Company review its stock positions for compliance with the limitations set forth in N.D. Cent. Code §§ 26.1-05-19(21)(a) and 26.1-05-19(33) and report a non-admitted asset in its annual statement in the event that the market value of stocks exceeds statutory limitations.

Mortgage Loans

The following schedule shows the activity in the mortgage loan account during the period under examination along with related interest information:

	2000	2001	2002	2003	2004
Book Value, Dec. 31, PY	\$ 124,280.66	\$ 117,029.44	\$ 104,985.99	\$ 99,058.90	\$ 10,861.41
Loaned During Year	-	-	-	-	-
Principal Payments/Adjustments	7,617.02	12,043.45	5,927.09	88,197.49	10,861.41
Book Value, End of Year	\$ 117,029.44	\$ 104,985.99	\$ 99,058.90	\$ 10,861.41	\$ -
Gross Interest Received	\$ 9,299.00	\$ 8,689.67	\$ 4,806.03	\$ 2,411.78	\$ 101.32
Yield - Mean Book Value	7.71%	7.83%	4.71%	4.39%	1.87%

Findings: The Company owned two mortgage loans during the period under examination on which the interest rates were 8% and 7.5%. The yield received by the Company on mortgage loans was significantly below the contractual rate on the loans because the Company did not properly apply interest and principal payments to the unpaid balance of one loan. The Examiner estimated that the unpaid principal and interest on that loan on the payoff date was understated by over \$9,000.

Recommendation: It is recommended that the Board of Directors take the appropriate steps to determine if the Company has any recourse available to recover the approximate \$9,000.00 underpayment of mortgage loan #21579.

Real Estate

The Company's investment in real estate consisted of the home office building located in the City of Casselton. The building is a one-story, steel frame, steel sheeted, 26 foot by 86 foot structure. The property was originally purchased in 1986. Depreciation on the building and permanent improvements is being taken over a 20-year period at the rate of five percent per annum.

At December 31, 2004, the building was occupied as follows:

Toop Insurance	10 percent
Company	60 percent
KB&O	30 percent

Findings: The Company included the cost of land in its computation of depreciation on home office real estate. Due to mathematical errors made in years 2002 and 2003, the Company overstated accumulated depreciation by approximately \$2,250 at December 31, 2004.

Recommendation: It is recommended that the Company adjust its depreciation schedule to eliminate land in the computation of depreciation on real estate and to correct the overstatements to accumulated depreciation in years 2002 and 2003.

Interest Due and Accrued on Bonds

Interest due and accrued on bonds was determined to be \$875.00 or \$875.00 more than the amount reported by the Company.

Market Value of Stocks over Book Value

The Examiner determined the market value of stocks over book value to be \$1,780.17 or \$6,441.60 more than the difference between book and market reported by the Company. The Company reported a non-admitted asset of \$4,661.43 on line 25, page 3 "Book value of ledger assets in excess of market value."

Unpaid Losses

The reserve for unpaid losses at December 31, 2004, was determined by this examination in the amount of \$17,800.00 or \$16,450.00 less than the \$34,250.00 reserve established by the Company. The Examiner established the reserve for unpaid losses based on a review of subsequent payments and reserves for pending claims.

Unpaid Loss Adjustment Expense

The reserve for unpaid loss adjustment expenses at December 31, 2004, was determined by this examination in the amount of \$1,335.64 or \$335.64 more than the \$1,000.00 reserve established by the Company. The Examiner established the reserve based on a review of subsequent payments and reserves for pending claims.

Unpaid Taxes

The Examiner determined the liability for unpaid taxes to be \$5,727.03 or \$2,026.17 more than the amount reported by the Company. The difference represented additional premium taxes due for the five-year period under examination and a reclassification of \$968.65 to the liability for "Amounts Withheld."

Findings: The Company understated premium taxes by \$2,994.82 during the period under exam due to the following items:

- Omission of policy fees from the premium tax calculation for years 2000-2004.
- Overstatement of ad valorem credit in years 2001-2004 due to overstatement of occupancy in years 2003 and 2004 and inclusion of special assessments into the credit for years 2001-2004.
- Failure to reduce taxable premiums by return premiums for year 2003.

The Examiner also noted that the Company understated the examination expense credit used to reduce premium taxes by \$3,744 because it applied only \$1,871 of the \$5,615 cost of the 1999 exam as an exam expense credit.

<p>Recommendation: It is recommended that the Company obtain a copy of the statutes and regulations pertaining to premium taxes and complete its premium tax returns in accordance with statutory guidelines.</p>
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Unpaid General Expenses

The Examiner determined the liability for unpaid general expenses to be \$600.47 at December 31, 2004, or \$520.47 more than the amount reported by the Company.

Amounts Withheld

The liability for amounts withheld was determined to be \$968.65 and represents federal and state withholdings from employees' salaries for the month of December.

Surplus to Policyholders

Surplus to policyholders, as determined by this examination, was in the amount of \$567,975.23, a net decrease of \$8,695.55 from the amount of \$576,670.78 as reported by the Company in its 2004 Annual Statement.

Adjustments affecting the surplus account are reflected in the following exhibit:

Caption	Company	Examination	Increase (Decrease)
Non-Ledger Assets			
Interest Due and Accrued on Bonds	\$ 0	\$ 875.00	\$ 875.00
Market Value of Stocks Over Book Value	0	1,780.17	1,780.17
Non-Admitted Assets			
Book Value of Ledger Assets in Excess of Market Value	4,661.43	0	4,661.43
Market Value of Stocks in Excess of Statutory Limitations	0	28,611.22	(28,611.22)
Liabilities			
Unpaid Losses	34,250.00	17,800.00	16,450.00
Unpaid Loss Adjustment Expenses	1,000.00	1,335.64	(335.64)
Unpaid Taxes	3,700.86	5,727.03	(2,026.17)
Unpaid General Expenses	80.00	600.47	(520.47)
Amounts Withheld	0	968.65	(968.65)
Net Change			<u><u>\$(8,695.55)</u></u>

CONCLUSION


The financial condition of Cass County Mutual Insurance Company, Casselton, North Dakota, as determined by this examination is summarized as follows:

TOTAL ADMITTED ASSETS		<u>\$884,731.03</u>
Liabilities	\$316,755.80	
Surplus to Policyholders	<u>567,975.23</u>	
TOTAL LIABILITIES AND SURPLUS		<u>\$884,731.03</u>

During the five-year period under examination, admitted assets increased by \$275,682.24, liabilities increased by \$57,811.16, and surplus to policyholders increased by \$217,871.08.

The Examiner express his appreciation for the courteous cooperation extended him during the course of this examination.

Respectfully submitted,



David Weiss, CFE
Examiner
N.D. Insurance Department

COMMENTS AND RECOMMENDATIONS

It is recommended that the Company amend its agreement with Grinnell Mutual Reinsurance Company to include the "Entire Contract" provision.

It is recommended that the Company report homeowners business on the proper line on page 7 of its annual statement.

It is recommended that the Company complete the NAIC Designation column to Section VII-Part 1.

It is recommended that the Company use the trade date rather than the settlement date to report bond and stock transactions in Section VII-Part 3 and Part 4.

It is recommended that the Company review its stock positions for compliance with the limitations set forth in N.D. Cent. Code §§ 26.1-05-19(21)(a) and 26.1-05-19(33) and report a non-admitted asset in its annual statement in the event that the market value of stocks exceeds statutory limitations.

It is recommended that the Board of Directors take the appropriate steps to determine if the Company has any recourse available to recover the approximate \$9,000 underpayment of mortgage loan #21579.

It is recommended that the Company adjust its depreciation schedule to eliminate land in the computation of depreciation on real estate and to correct the overstatement to accumulated depreciation.

It is recommended that the Company obtain a copy of the statutes and regulations pertaining to premium taxes and complete its premium tax returns in accordance with statutory guidelines.